

Fundamental Problems

A Call To Address

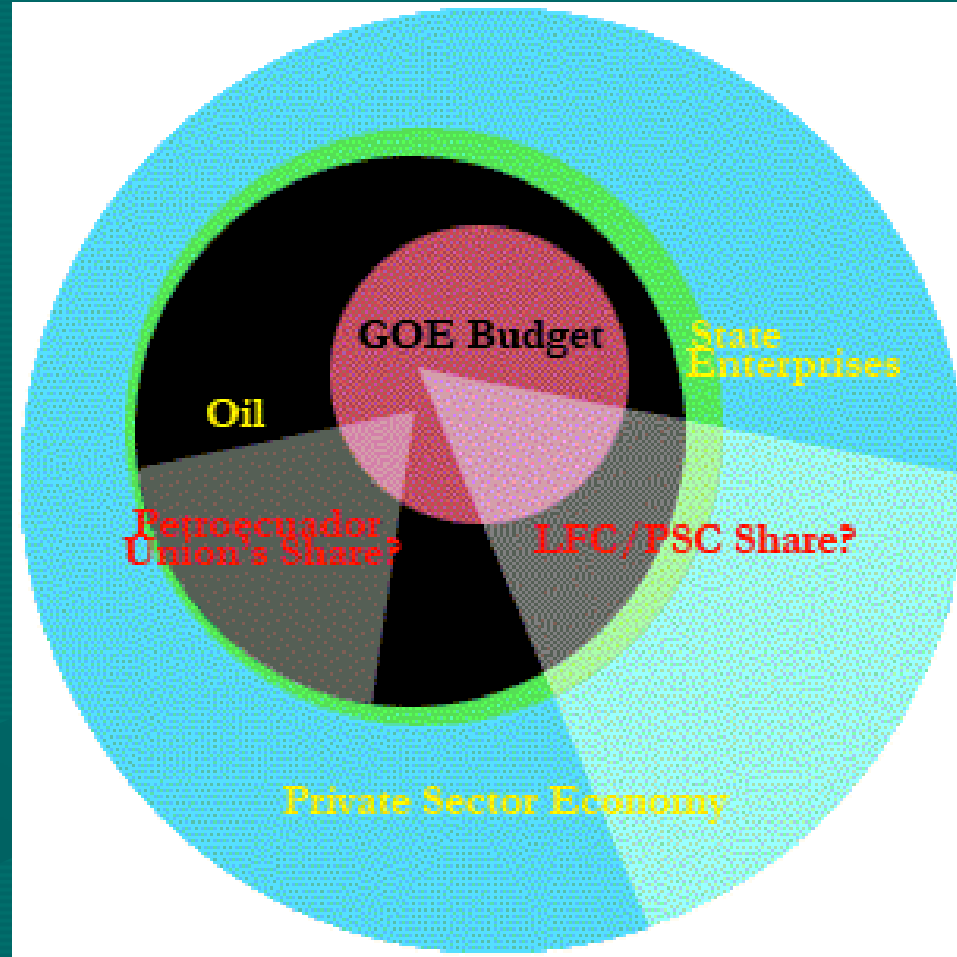
Root Causes

Process

- Identification of fundamental causes of political and economic instability
- Long and short term USG actions to counter root causes
- Participatory process including officials from most agencies
- Expanding to discussions with key outside actors

Fundamental Causes of Instability I

- **Government controls resources**
 - kleptocratic/rent seeking system
- **Competing Pyramidal Corporatist Structures**
 - **Political Parties - Economic Groups** (Isais, Egas) - **Unions - Petroecuador - UNE - Military**
 - Goodies for elites, not population
 - Exert power via companies, banks, political parties, media, judges



Fundamental Causes of Instability II

Poor education

- Quality of education lowest levels in Latin America (Unesco, 1996)
- No critical mass to affect changes, to elect, to lead

Attitudes

- Leftist tendencies
- No appreciation for democracy
- Chauvinism
- Lack of organizational culture

**Allow for elites to get away
with taking the wealth of the country**

Fundamental Causes of Instability III

- Role of Oil
- Concentration of Wealth and Power
- Centralization/Decentralization/Regionalism
- International forces (Chavismo, narcotrafficking, terrorism)

What to keep doing...

- Avoid/moderate **potential crises**
- Take advantage of **targets of opportunity**:
 - Judicial reform - FTA - Customs
 - Elections
- Support **'quick fixes'** under proposal (e.g. bicameralism, election by district, autonomy, constitutional reform) only once analysis of costs, benefits, and specific projects have been assessed

To address root problems...

- **Government control of assets:** Help to build pressure for structural reform, support development of proposals, assess impediments to reform
- **Pyramidal structures:**
 - promote increased competition
 - FTA - Antitrust
 - promote judicial independence
- **Education:** Explore possibilities for increasing USG involvement in educational reform
- **Attitudes:** emphasize Ecuador's potential
 - speakers and experts - support local scholarships

Some examples to put this into practice...

- Work with the Central Bank to **assess barriers to reform** and promote debate
- **Think-Tank** to develop and sell good policy
- **Mini MCA** at the local level
- **‘Networking’**: Create a local force that will be critical to effecting change

In Sum

- USG has **potential** to promote change in the country
- Unless we **focus on fundamentals** we will not make a difference
- Agencies and sections should **work together**. Problems need to be assessed in a holistic w
- It is key to **engage Ecuadorians**. Only **THEY** will achieve change

Thanks!

